NOVEMBER 1989

INCENTIVE

SELLING SERVICE

The Japanese have taught Detroit how to produce quality cars. Now, U.S. car makers are teaching the Japanese how to provide quality service . . .

The 1990 Mitsubishi Eclipse GSX Turbo

PLUS Teamwork helps airline cut costs
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MANAGING AND MARKETING THROUGH MOTIVATION

85TH YEAR, VOL. 163, NO. 11

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As U.S. cars approach Tokyo-style quality and price, Japanese companies are banking on American-style customer service incentives to give them the edge.

BY ERIKA PENZER

PHOTO: 1990 NISSAN INFINITI M30 CONVERTIBLE

SELLING SERVICE

Lessons FROM America

Japanese car makers taught Detroit a lesson about turning out quality cars. Now, U.S. car makers have narrowed the quality gap, forcing Japanese companies to take a new look at how to keep American customers satisfied.

Until recently, the Japanese companies could afford to put service on a back burner. Americans craved dependable Japanese cars at reasonable prices and gladly waited months for hard-to-get Tokyo imports. Sales volumes at companies like Toyota, Nissan and Honda soared. With demand high and supply relatively low, customer service was a low priority. "Japanese dealers have traditionally functioned in a 'taillights out the door' mode," says Chuck Bohon, editor of Automotive Age, Van Nuys, Calif.

By contrast, the American car makers, faced with declining sales and manufacturing mishaps, embraced customer service as a last resort against losing buyers forever to overseas manufacturers. American companies like General Motors, Ford and Chevrolet developed extensive customer-satisfaction programs that quickly became the norm among domestic manufacturers.

Now the car market is more competitive than ever. Detroit cars have improved tremendously in quality, and, at the same time, the dollar has fallen against the yen, making Japanese cars significantly more expensive. "The car market hasn't changed: Americans bought 10.5 million cars in 1978, and they bought 10.5 million cars in 1988. The difference is that now there are lots more cars on the market, including those from Korea and from smaller Japanese companies like Mitsubishi and Isuzu," Bohon says.

Borrowing from the strategies of their American counterparts, most of the Japanese companies have jumped on the customer-service bandwagon. And the way in which they have turned to improving customer service is strikingly similar to that of the U.S. car makers. This makes sense, says Bohon, considering that most of the executives at the U.S. divisions of Japanese car companies came straight from Detroit and brought customer-service know-how with them. "GM was the first to start a CSI [customer satisfaction index] program, surveying new buyers back in 1979," Bohon notes. Ford and Chevrolet soon followed suit, and CSI's have been a staple of American dealer service ever since.

Subaru of America pioneered a customer satisfaction program five years ago, using an outside agency to make follow-up calls to car buyers. It has since expanded the program and developed a customer service department that tracks buyer responses. "Originally, we found that there was a very high percentage of people who would walk and buy somewhere else if they weren't satisfied with the service they were getting," says Joe Barstys, the Cherry Hill, N.J.-based company's manager of customer satisfaction operations.

At present, Subaru's Owner Loyalty Program may be the most extensive follow-up program of all the Japanese manufacturers. Customers are surveyed after one month, 10 months, two years and three years of ownership. "We ask them how they liked their salesperson and if they were satisfied with the state of the car when they picked it up," Barstys explains. "Did the dealer do everything he said he would do? Did the salesperson explain all the features of the car to your satisfaction? Did the

salesperson know enough about the car? Did he or she explain your warranty fully? We want to know exactly what the customer thinks about the dealer."

Data from the customer contact calls is collected, tabulated and reported to dealers monthly. In addition, the data is broken down on three levels: by individual dealership, regionally and nationally. That way, Barstys explains, a dealer can see exactly how his or her customer service ratings compare with other Subaru dealers in the region and all Subaru dealers nationally. Incentive programs reward dealers who exceed their regional customer service average.

Nissan began using telephone follow-up surveys in September 1988. Every Nissan customer who buys a car or truck receives a phone call asking for comments on the dealership's customer relations, including the friendliness and effectiveness of salespeople and the state of the car at the time the customer picked it up. Dealers receive reports detailing their customers' responses from Nissan every month, according to Joe Fenton, national merchandising manager for the Nissan division of Nissan Motor Corporation U.S.A., based in Orange, Calif.

The company's 10-year-old Award of Merit program, which awards top dealers with an annual off-site meeting, is based on total excellence in dealer operations. This does include sales and profitability, but also considers how well service areas are maintained and equipped. To be invited on the trip, dealers must have an above-average customer service index compared to the total average of all Nissan dealers in the country. Last year, the dealers went to a resort in Phoenix with members of top Nissan management; Ronald Reagan joined the group as guest speaker at the award ceremony.

Mitsubishi Motor Sales of America recently tested a customer follow-up program in Atlanta and claims to be happy with the results. Now, the Cypress, Calif.-based company is expanding the program nationally and has hired an outside agency to make calls and issue reports, says vice president of sales Rick Lepley. Distinguished Dealer Awards are given to those dealerships that achieve an above-average CSI and maintain an acceptable part-to-fill ratio by carrying enough parts to service all the cars in their areas.

Only American Isuzu Motors, Whittier, Calif., has rejected using follow-up surveys, mainly, says Bohon, because the company probably cannot afford them. But Leon Rosen, Isuzu's national marketing director, also questions their effectiveness. "We've looked at various customer service indices but have found lots of holes in them," he says. "What if the customer doesn't get along with the salesperson, if the chemistry's wrong? Whose fault is it if bad chemistry alters the way a customer sees a dealership? Did the sales manager train the salesperson poorly, or was it strictly a personality thing? We don't think a dealer is responsible for those things. And we haven't found a formula yet that works for us."

But Subaru's Barstys disagrees. "If something like that happens, it should reflect badly on a dealership," he says. "It's the whole experience that's going to make the customer decide whether he or she wants to come back and buy a car from that place again. If customers aren't happy for any reason, the dealer principal ought to know about it."

The relationship between manufacturer and dealer is just as important as the one between dealer and customer. Nissan executives say getting good service from a manufacturer is more important to dealers than tangible incentives like trips and televisions, and Bohon agrees. "Most dealers, especially those who own more than one franchise, get so many trips and other incentives that they don't know what to do with them," he says. "They get jaded. Sometimes they don't even bother to take them. What's really important to a dealer is having a cooperative field representative, someone who's going to help him out."

Nissan's Fenton concurs, adding that a company with

DEALER SERVICE COSTS IN 1988

Manufacturer	Average dealer cost
▶Porsche/Audi	$9.3 million
▶Mercedes	8.8
▶Cadillac	7.7
▶Chevrolet	7.2
▶Volvo	7.0
▶Ford	6.4
▶BMW	6.1
▶Nissan	6.1
▶Toyota	5.5
▶Honda	5.3
▶Mazda	3.3

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multi-franchise dealers can gain an edge here: "The easiest way to make yourself a dealer's favorite franchise is to treat him right."

Each dealership has individual problems, Bohon notes, and needs individualized attention from manufacturers. "Dealers have to deal with the motor vehicle bureau, the EPA, city governments and the car factories," he says. "The last thing they need is a field rep who's going to send back warranty forms because they're not filled out just so. And if a dealer is happy in his manufacturer relationship, it's going to be reflected in his customer service."

Several companies claim to be committed to maintaining good manufacturer-dealer relations. In addition to its dealer incentive programs, Nissan devises marketing strategies for dealers so that they feel they are approaching the customer under the Nissan umbrella.

Motivating dealer salespeople through incentive and recognition programs seems to be gaining in popularity, as well. "If you can motivate the salesperson, you're in great shape," says Subaru's national advertising and incentives manager, Mark Dunn. "That's the person who's making the initial contact, and that's the person who's recommending one car over another."

Nissan's Professional Sales Guild was developed as a way to build brand loyalty, says Fenton. Salespeople who attend training sessions and new-product seminars take quizzes based on what they have learned. Correct answers earn points that can be traded for merchandise. In addition, each individual's performance is tracked by the dealer through its customer follow-up reports. Nissan even has recognition programs in place for mechanics, parts personnel and technicians.

But when it comes down to it, says Barstys, the bottom line is still the bottom line. "We try to show dealers that good customer service is good business, that it's a way to maintain profitability," he says. Telling a dealer, for example, that 85 percent of his customers commented on the unprofessional behavior of salespeople

THE 1990 SUBARU JUSTY

When it comes down to it, the bottom line is still the bottom line: Car makers need to show dealers that good customer service is a way to maintain profitability.

and 55 percent of those who complained said they would not buy a car from that dealership again "makes him see the bottom line real fast," Barstys notes.

The other side of motivating dealers is strictly number-based. Sales incentive programs are fundamental to most car makers, and the Japanese companies are not exempt from that reality.

To go on Nissan's current incentive trip, dealers must reach a specific sales goal between Sept. 6 and Dec. 4, 1989. Regional managers set a target for each dealership based on past sales history during a similar period. "Our expectations are fair, not extravagant," says Fenton. "We ask them to sell a little more than our expectations, but not too much—nothing unreachable." Nissan expects to take almost 300 dealers and their spouses with some members of top management on a six-day Mexican cruise in January, ending up in New Orleans for the Super Bowl—a Nissan tradition for the past several years.

Subaru's most recent sales incentive program targeted top-volume dealers, sales managers and dealer salespeople. The program, which ran from July 4 through Sept. 5, took 120 dealer principals and spouses on a 10-day cruise through the Caribbean. In addition, 250 sales managers spent four days in Las Vegas, and 100 salespeople went to Dayton, Ohio, and had 60 seconds to run through a warehouse of merchandise. Whatever they could carry, they kept.

Mitsubishi ran a summer sales incentive program this year to promote its subcompact, Mirage and Precis models, says Lepley. The 10 highest-volume dealers, along with the two dealers in each of five regions who sold the highest percentage against their target sales goals, will cruise for 10 days from Singapore to Bali. Each dealership has its own goal based on past performance, "so that the smaller dealers can participate too," Lepley says. The annual sales incentive trips are for dealer principals only and are "first-class all the way," he adds.

Isuzu has run three "shopping sprees" for dealers and spouses in which the top 50 dealers spent accrued points on merchandise at Neiman-Marcus and stores in New York's Trump Tower. Although past history seems a fair way to set sales goals, Isuzu's Rosen points out that if the market has changed significantly, "it's unreasonable to expect dealers to be able to sell the same number of cars they did last year. The auto market is so tough now—we can't expect our dealers to be as successful."

Some manufacturers still struggle with making sales incentive programs fair to all dealerships while not overrunning their budgets. "We know our program discriminates against our smaller dealers," Rosen says. Isuzu is looking at ways to have dealers compete for trips and other prizes with other dealers their size—perhaps running separate programs for three or four levels of dealers.

Only Honda claims to have little need for sales incentive programs. "In general, we don't do them. We haven't done them because we haven't had to—and we consider that our advantage," says Mike Spencer, administrator of public relations for the Gardena, Calif.-based company. "We're immune to having to resort to fire-sale tactics." The company did run one cash-back incentive program for dealers this year to get rid of 1989 models so dealer showrooms would be clear when the 1990 Acura Integras came in, but according to Spencer, that was an anomaly. The company has no plans for future incentive programs, he says. □